

CENTRAL AMERICA

A REGION OF OPPORTUNITIES

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Secretary-General

Trinidad & Tobago, October 2010





Central America in figures

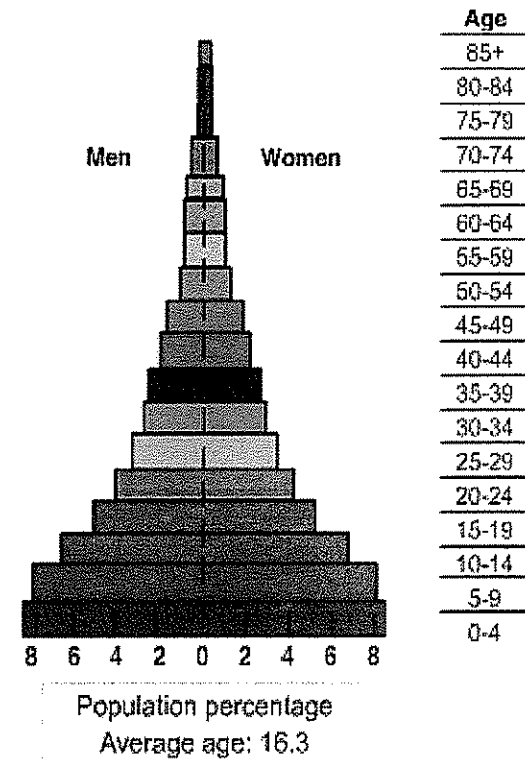
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Central America in figures

We are a young region!

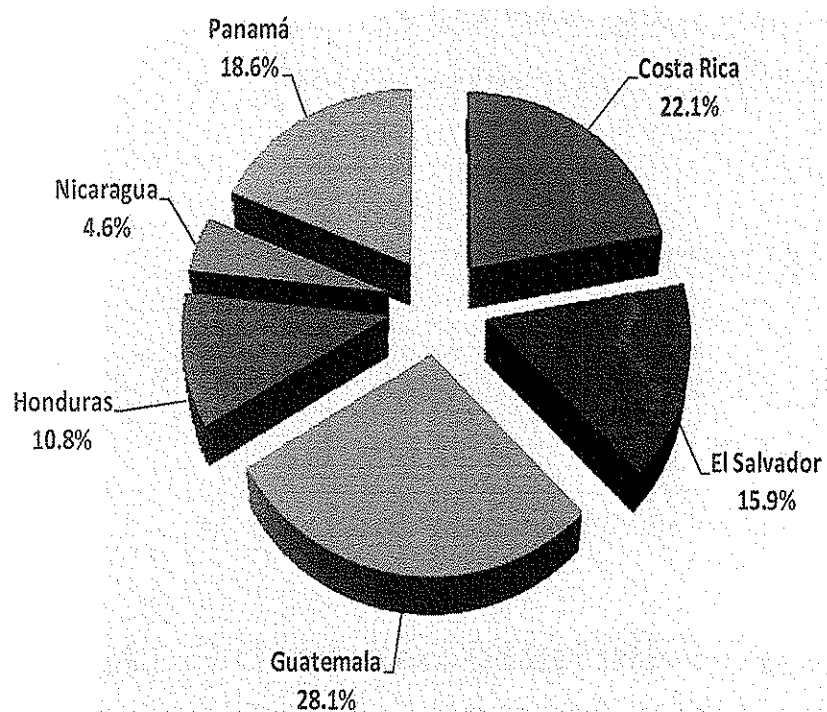
- Population: 42.1 million
- Economically active: 42.5%
- Equal gender distribution 51% women
- A young society: Average age of 16.4 years



Central America in figures

Together, we are the eighth economy in Latin America

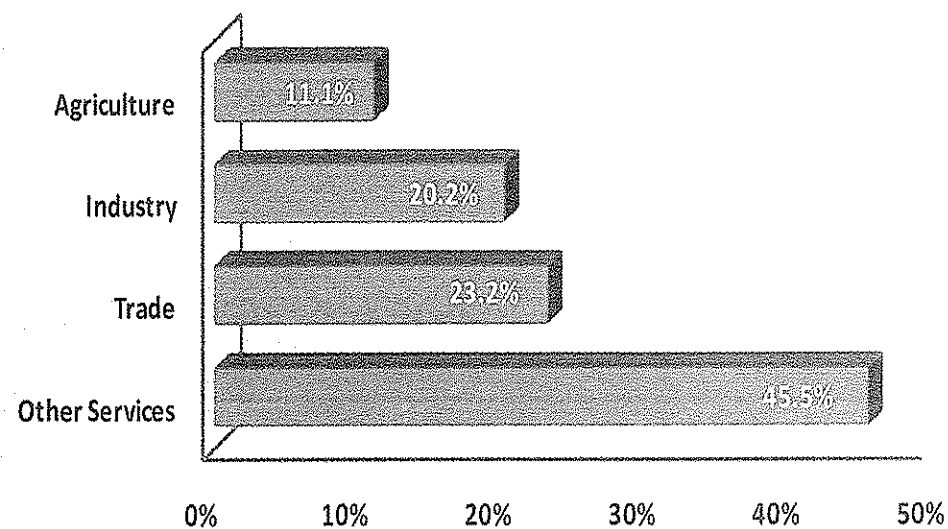
Regional GDP: US\$ 132,850 millions (2009)



• Annual growth

✓ 2008: 3.5%

✓ 2009: -1.1%



Central America in figures

With a priority challenge: to improve our social conditions

- Human development index:
 - ✓ Average 0.729 (Costa Rica 0.8466 - Guatemala 0.689)
 - ✓ Position 107 among 177 countries (Costa Rica 48 – Guatemala 118)
- Poverty: 55% (Costa Rica 19 - Honduras 72) with constant trend to reduction
- Literacy rates: 98% in Costa Rica – Around 86% for Guatemala
 - ✓ Scholarship: Net enrolment in primary education Over 93%



Central America in figures

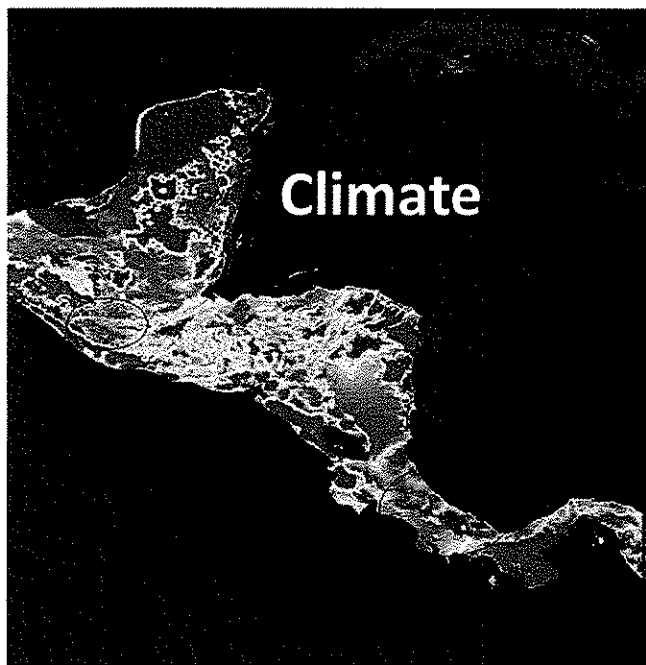
With a strategic geographic position...

- An Isthmus –a bridge between North and South America, a gate between both oceans
- Distance between both oceans is as short as 90 miles and as broad as 320 miles
- Surface of 502 thousand square kilometers
- Have more than 15,100 km. of regional roads
- 22 maritime ports, 7 international airports.
- 2,000 Km. of electric connection among the countries of the region

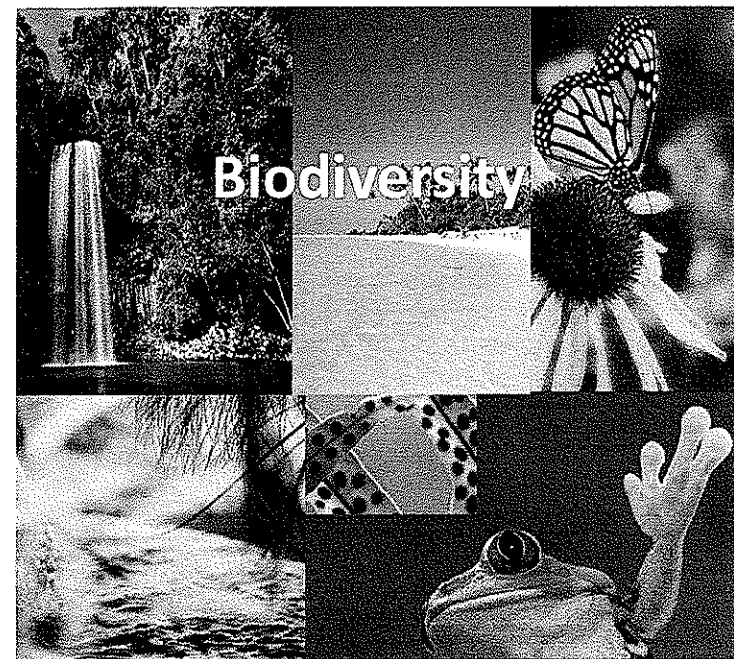


Central America in figures

A wonderful climate during the 365 days of the year; wide biodiversity



- Average temperature o 24 C – 75.2 F
- Minimum temperature of 5 C – 41.0 F
- Maximum temperature of 42 C – 107.6 F



- 24Eco-regions defined by the World Conservation Monitoring Centre (WWF)
- 9,313 thousand of protected hectares
- 7 kinds of forests and more than 5,500 species of vertebrate fauna



Regional Integration System

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Central American Integration System

Member and Associated States



Member States

- Belize
- Costa Rica
- El Salvador
- Guatemala
- Honduras
- Nicaragua
- Panama

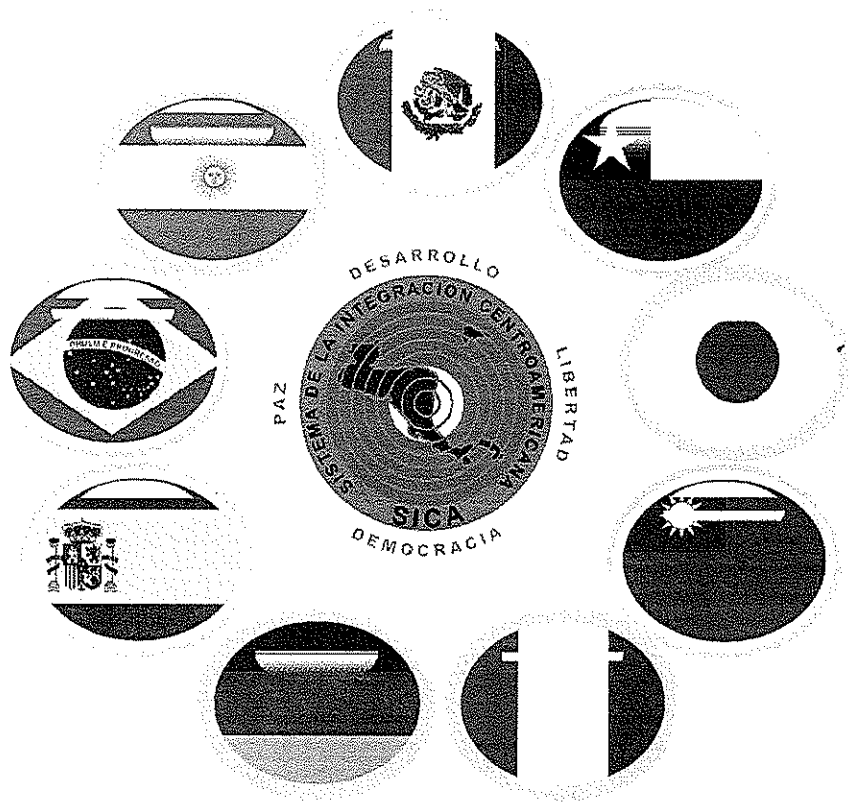
*Members of
Economic
Subsystem*

Associated State

- Dominican Republic

Central American Integration System

Member and Associated States



Regional Observers

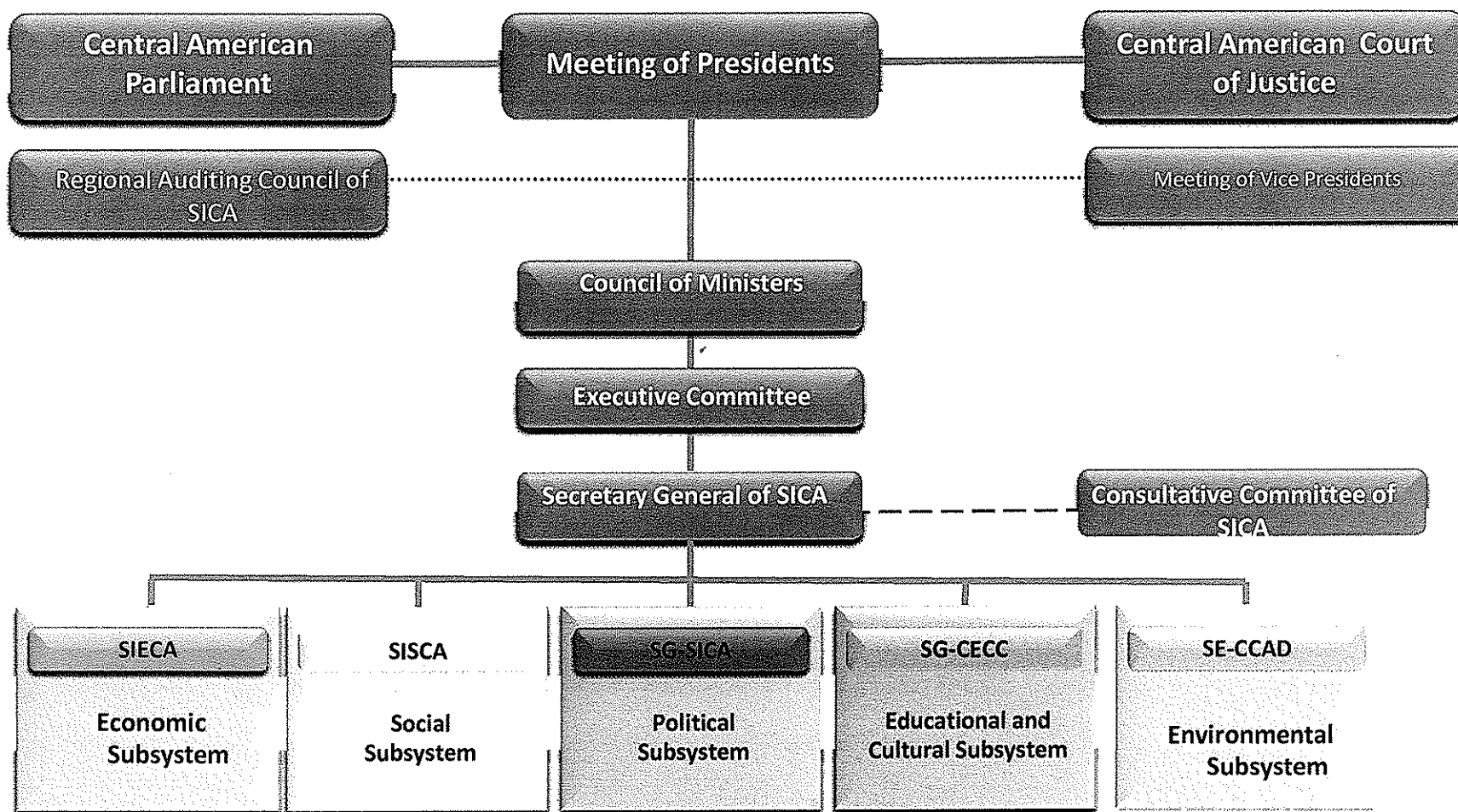
- United Mexican States
- Republic of Argentina
- Republic of Chile
- Federative Republic of Brazil

Extra-regional Observers

- Republic of China (Taiwan)
- Reign of Spain
- Federal Republic of Germany
- Republic of Italy
- Japan

Central American Integration System

Structure of the System



Our economic integration process:

One of the most advanced in the developing world

- **1960 – Signing of General Treaty for the Central American Economic Integration –TGIE-**
Almost Fifty years of Central American Common Market - The integration project has been active without interruption
- **1993 – Signing of the Protocol of Guatemala to TGIE**
Open regionalism deeper integration between the member states + increased integration to the world economy
- **2007 – Signing of Framework Covenant for the Customs Union**
Establishes routing sheet for constructing customs union
 - ✓ Facilitation on Trade and Free Movement of Goods
 - ✓ Modernization and Rule Convergence
 - ✓ Institutional Modernization

Our economic integration process:

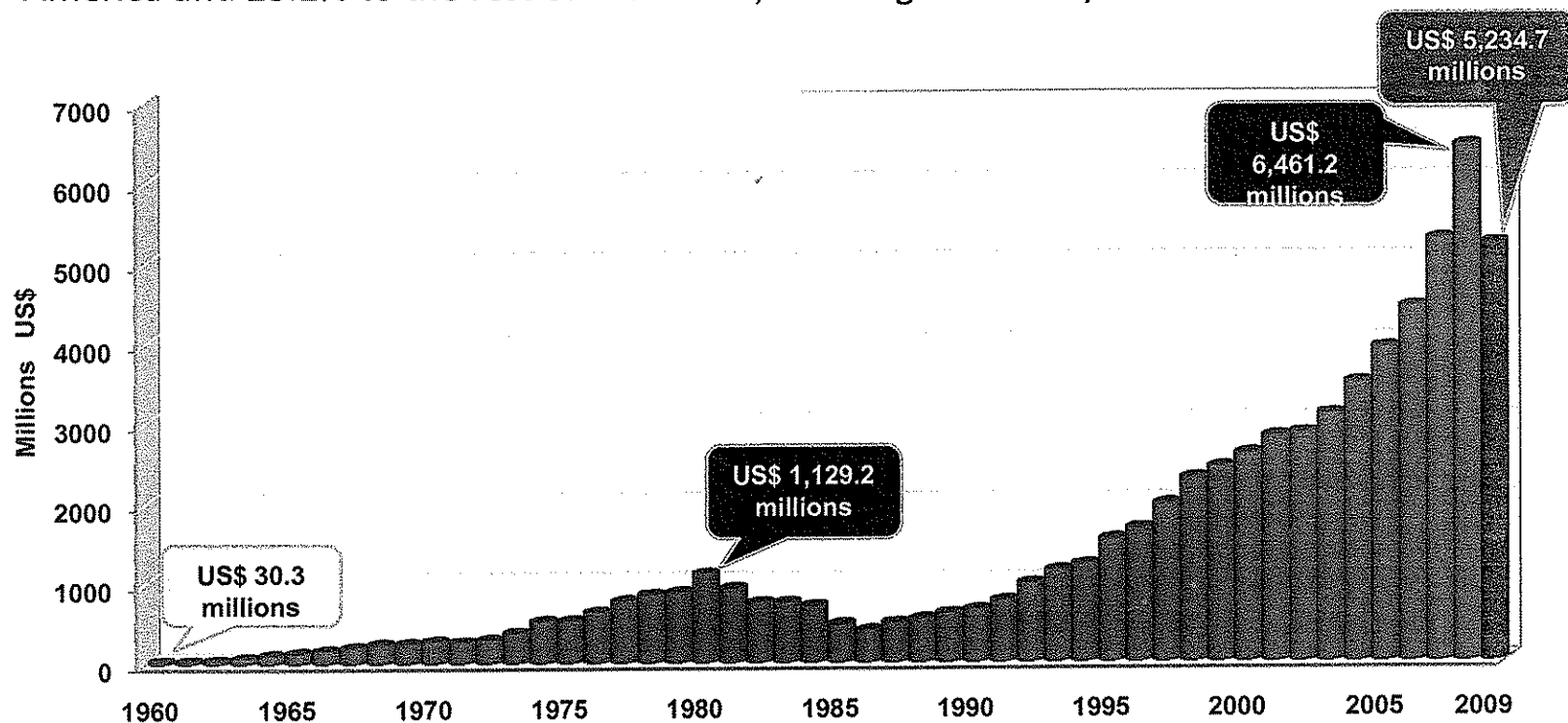
Some Achievements....

- Free trade for almost all Central American products –few exemptions
- Import tariffs: 96% harmonized as MFN
- Customs Administration
 - ✓ Central American Customs Rules Code: have a regional focus and are based on the Convention of WCO
 - ✓ Measures on Trade Facilitation based on Kyoto Agreement
 - ✓ Actions on Automation of procedures and electronic interconnection for the transmission of documents
- Regional technical regulations (TBT, SPS)
- Central American Convention on Investment and Trade of Services

Regional Economic Agenda

has represented an important trade growth

- Trade in Services – efforts are started for its measure
- Trade in Goods – has shown a positive growth trend; MCCA trade was drop in 18.4%, in 2009, due to the world economic crisis. In the first half of 2010 record growth is 6.2% to Central America and 23.2% to the rest of the World, showing a recovery.



Regional Economic Agenda

the region has had a better reaction to economic crisis...

**Latin America and the Caribbean:
progress on value of trade in goods, 2007-2009^a**
(variation rates)

Region / Sub-region / countries	Exports of goods			Imports of goods		
	2008	2009	2010	2008	2009	2010
Latin America and the Caribbean (35)	16.2	(22.6)	21.4	21.7	(24.9)	17.1
Integration Schemes						
MERCOSUR	24.4	(24.9)	23.4	40.3	(27.4)	29.6
CAN	30.0	(27.8)	29.5	21.9	(20.8)	5.8
Central America Region	9.5	(4.9)	10.6	15.1	0.2	0.1
CARICOM	31.1	(43.6)	23.7	20.1	(25.6)	9.8
Other countries						
Chile	(2.2)	(19.2)	32.6	30.9	(31.0)	18.5
Mexico	7.2	(21.2)	16.0	9.5	(24.0)	16.3
Dominican Republic	(5.8)	(19.0)	12.5	17.6	(23.2)	16.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC)

^a Correspond to estimates of DCII, based on partial information for period January-June



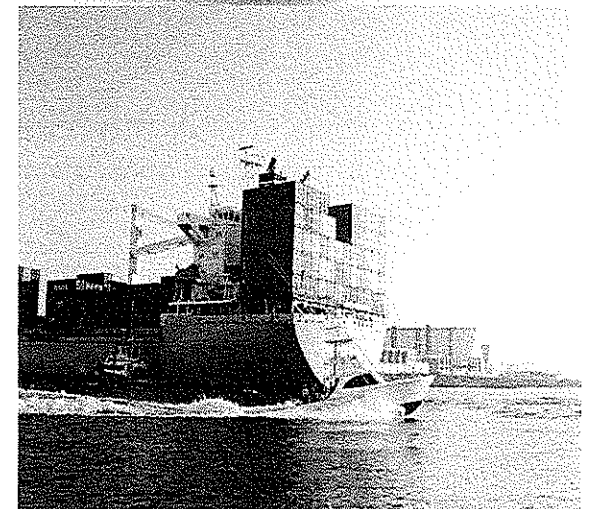
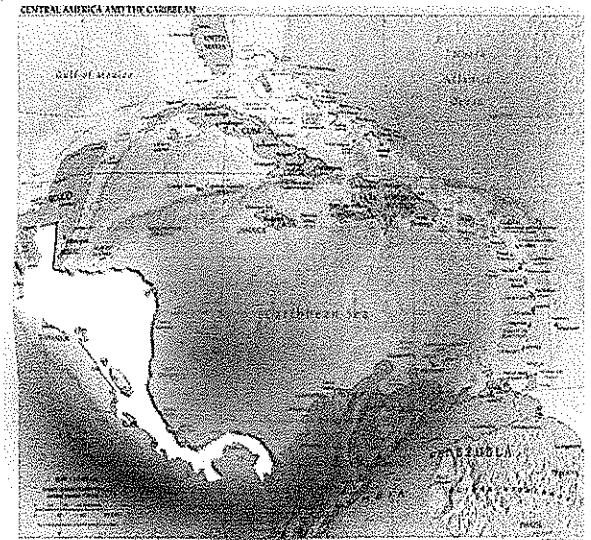
Regional Economic Agenda

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Regional Economic Agenda

- ☐ Deepening of our Economic Integration
Process: Trade Facilitation and Free Movement
of goods
- ☐ Incorporation of Panama to the Subsystem of
Economic Integration
- ☐ Insertion of International Economic Arena
- ☐ Strengthening of Infrastructure Conditions—
Plan Mesoamérica
- ☐ Productive Integration Strategy
- ☐ Macroeconomic Stability and Financial
Integration



CA Trade relations with the world...

From whom we purchase? To whom we sell?

Main Trade Partners, year 2009 Millions US\$

Country	Export	%	Country	Import	%
United States of America	6,564	31.73%	United States of America	15,744	34.98%
Central America Region */	6,017	29.09%	Central America Region */	6,912	15.36%
European Union	2,925	14.14%	México	3,325	7.39%
China Republic	869	4.20%	European Union	3,181	7.07%
Mexico	640	3.09%	China Republic	2,317	5.15%
Dominican Republic	408	1.97%	Japan	1,315	2.92%
Hong Kong	351	1.70%	Colombia	1,107	2.46%
CARICOM	323	1.56%	Brazil	935	2.08%
Trinidad y Tobago	71	0.35%	Colón Free Zone	933	2.07%
Puerto Rico	253	1.22%	Venezuela	887	1.97%
Canada	238	1.15%	Ecuador	690	1.53%
Japan	212	1.03%	South Korea	613	1.36%
Venezuela	204	0.98%	Chile	484	1.07%
Malasia	193	0.93%	Netherlands Antilles	458	1.02%
South Korea	173	0.84%	Aruba & Curazao	353	0.78%
China Taiwán	128	0.62%	CARICOM	352	0.78%
Chile	124	0.60%	Trinidad y Tobago	150	0.33%
Main Patterns	19,623	94.87%	Main Patterns	39,605	87.98%
Rest of the World	1,062	5.13%	Rest of the World	5,409	12.02%
Total	20,685	100.00%	Total	45,014	100.00%

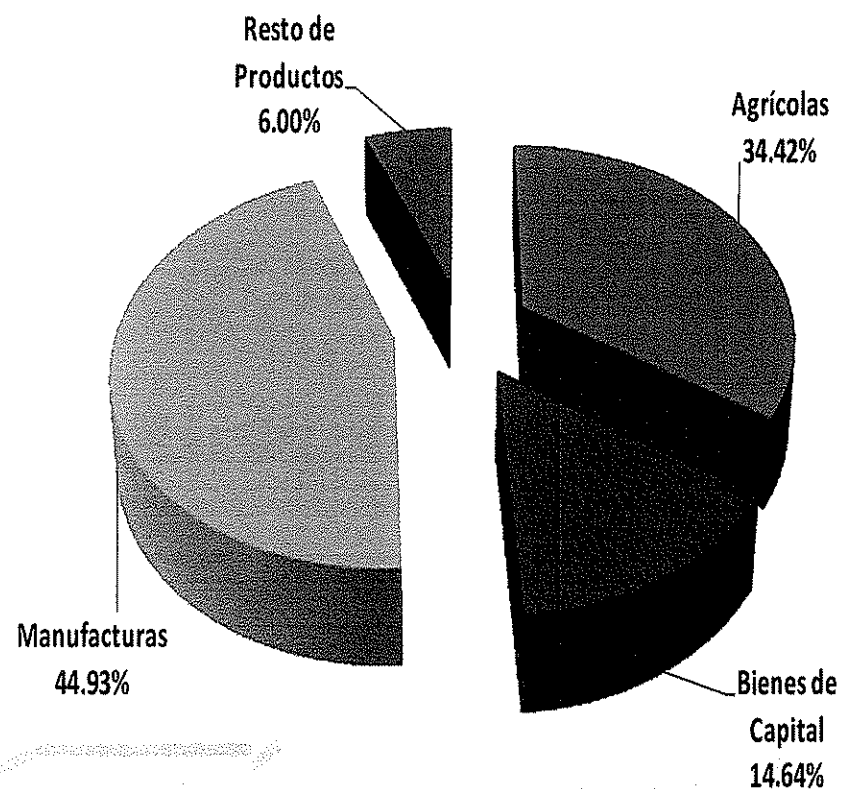
*/ Includes Panama

Source: Central America, Economic Statistics Unit of the Central American Economic Integration Secretariat (SIECA) based on the System of Central American Trade Statistics SEC

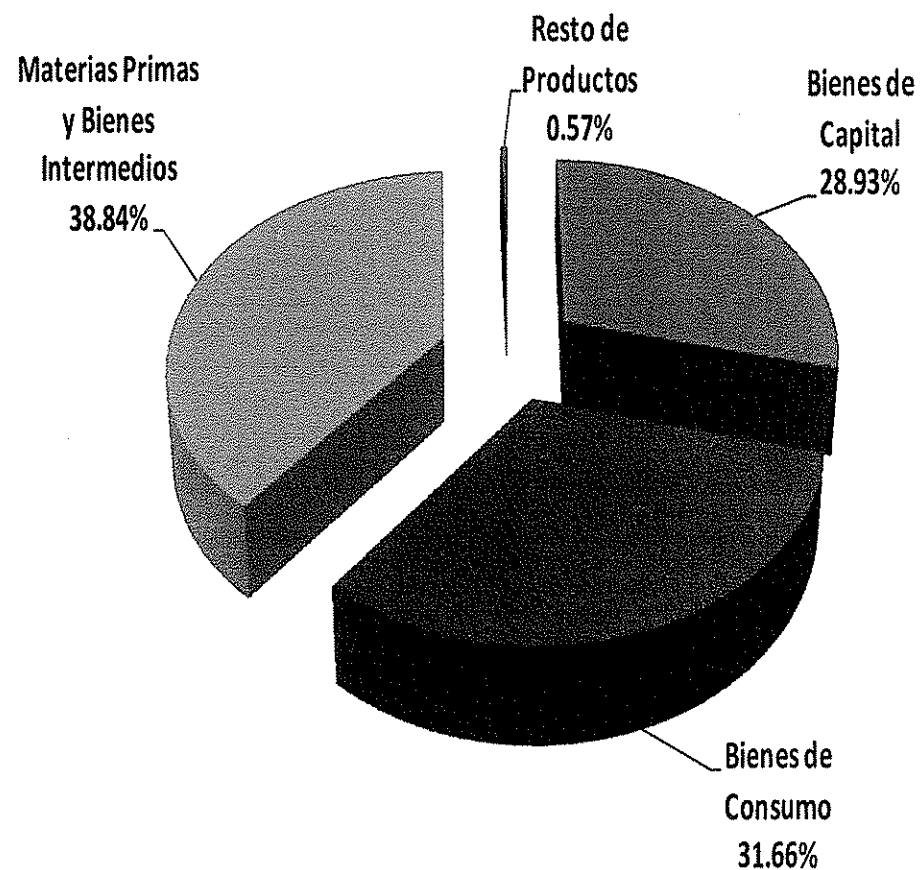
CA Trade relations with the world...

Structure of trade

Exports 2009



Imports 2009



Insertion in the International Economic Arena

Constant search for strategic partners....



- FTA CA – USA – Dominican Republic



- FTA CA – MEXICO, *in process of convergence*



- FTA CA - PANAMA



- FTA CA – Dominican Republic



- FTA CR – CANADA, *CA.4 in negotiation*



- FTA CA – CHILE



- FTA CA.4 – TAIWAN



- **FTA CR – CARICOM ended; CA.4 in negotiation**



- FTA CR – CHINA,



- FTA CR – Singapore



- Association Agreement CA – UE

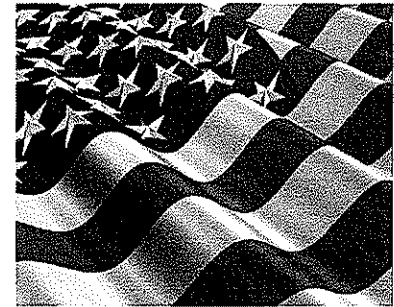


- *FTA CR-HO –PA –Peru, in negotiation*

Partners of the largest markets in the world:

CAFTA-DR

- Consolidated benefits of ICC and CBTPA
- Free access to market for ethanical products
- Increase of sugar quota.
- 100% of industrial products with free access of tariffs and quotas; 89% of agricultural products
- Flexible rules of origin, appropriate for regional reality
- Long term tariff reductions: up to 20 years for agricultural sector and 10 years for industrial sector
- Asymmetries on tariff reduction terms in favor of Central American countries

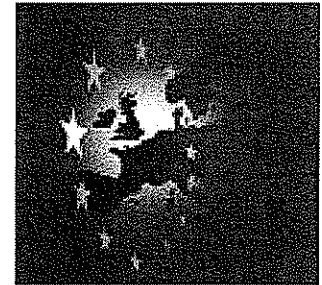


Partners of the largest markets in the world:

European Union

Negotiation process closed in May, 2010

- Assurance and improvement of current conditions of the access to European market:
 - ✓ Tariff Access (GSP+ and inclusion of new products)
 - ✓ Rules of Origin that meet structure of productive chains of CA
- Modern Rules, and appropriate to Central American capacities
- Better conditions for the access to services and investments
- Legal certainty and agile measure for dispute settlement
- Strengthening of regional economic integration
- Strengthening of CA positioning in the international context



Regional Economic Agenda

Some considerations...

Efforts performed by the region have caused productive diversification, as well as the value chain...

1994

- Coffee 21%
- Banana 15%
- Sugar 4%
- Medicines 2%
- Other fruits 1%

2009

- Garments 12%
- Electronic circuits 8%
- Coffee 7%
- Bananas 6%
- Fish, crustaceans 3%
- Sugar 3%

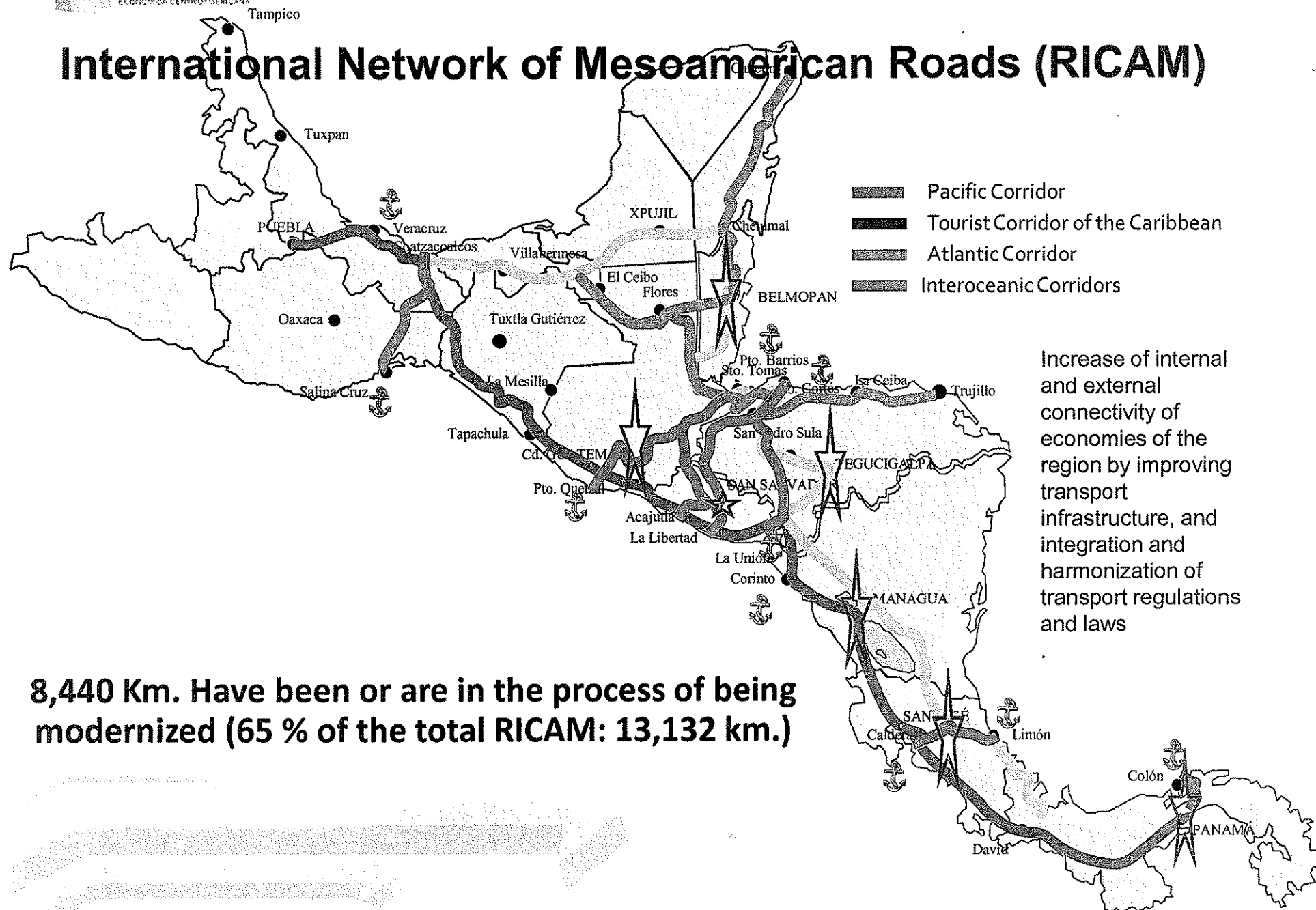


Regional Project: Strengthening of Infrastructure Conditions

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International Network of Mesoamerican Roads (RICAM)

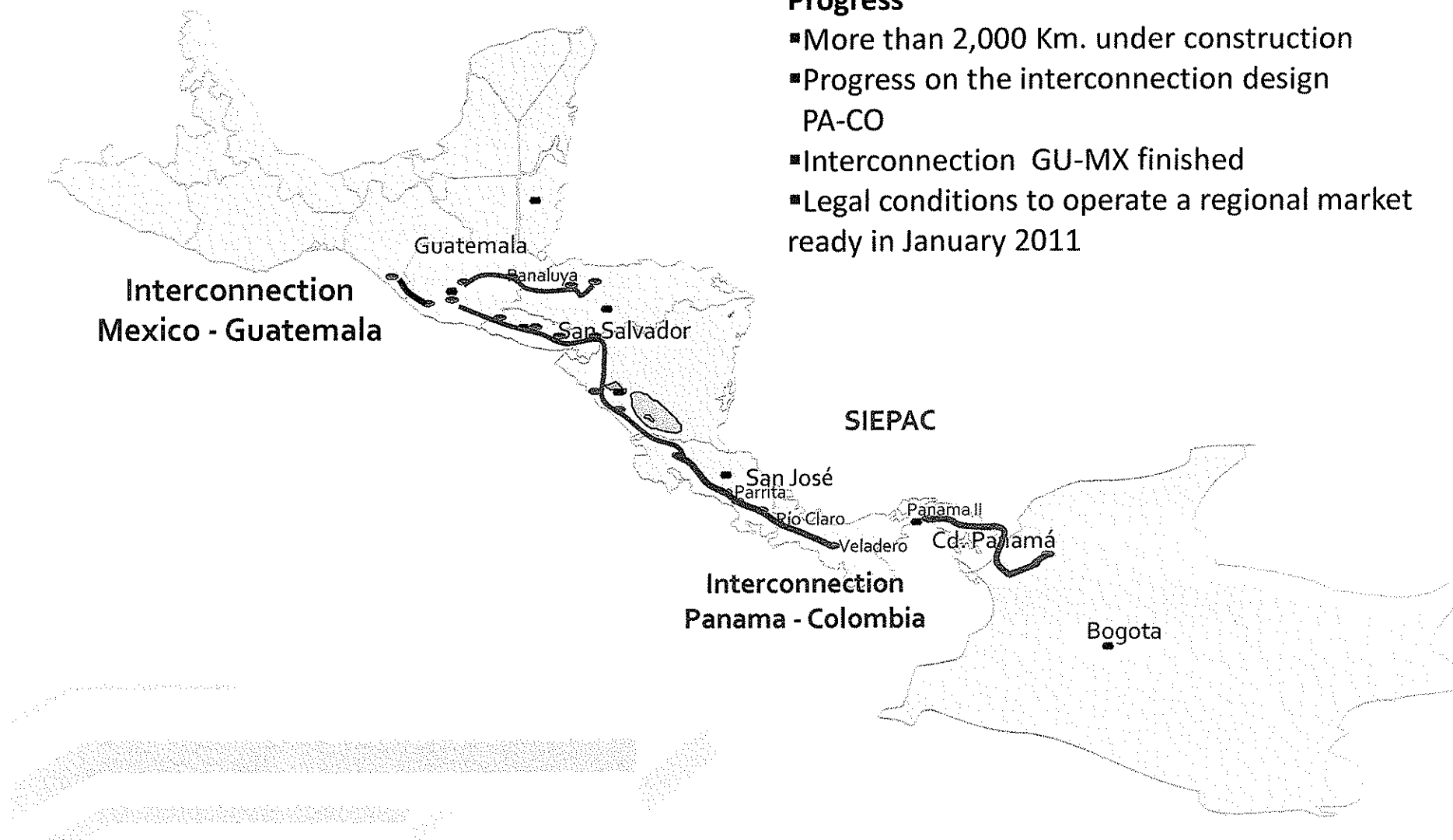


8,440 Km. Have been or are in the process of being modernized (65 % of the total RICAM: 13,132 km.)

Electric Interconnection System - SIEPAC

Progress

- More than 2,000 Km. under construction
- Progress on the interconnection design PA-CO
- Interconnection GU-MX finished
- Legal conditions to operate a regional market ready in January 2011



Potential Renewable Generation (MW)

Country	Hydro	Geothermal	Wind	Bagasse - Cogeneration 1/	Total
COSTA RICA	7,384	1,131	198	22	8,735
EL SALVADOR	2,095	1,421	0	238	3,754
GUATEMALA	3,581	289	0	870	4,740
HONDURAS	2,305	0	0	243	2,548
NICARAGUA	529	290	0	262	1,081
PANAMÁ	3,865	0	0	0	3,865
TOTAL	19,759	3,131	198	1,635	24,723

1/ Refers to cogeneration in sugar mills.

Source: CEAC/ ECLAC, Statistical Power Subsector.

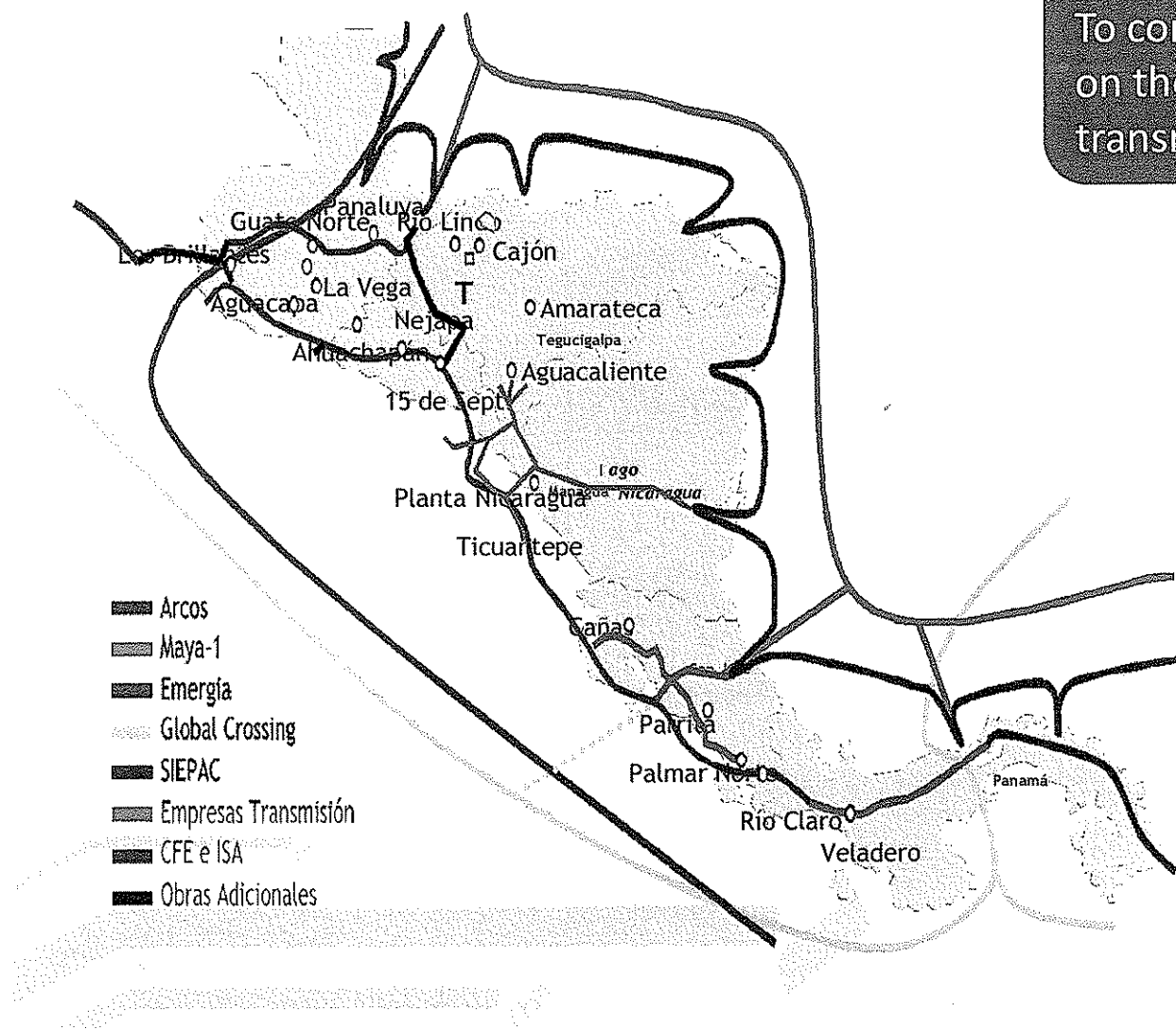
Mesoamerican Information Highway (AMI)

Objective:

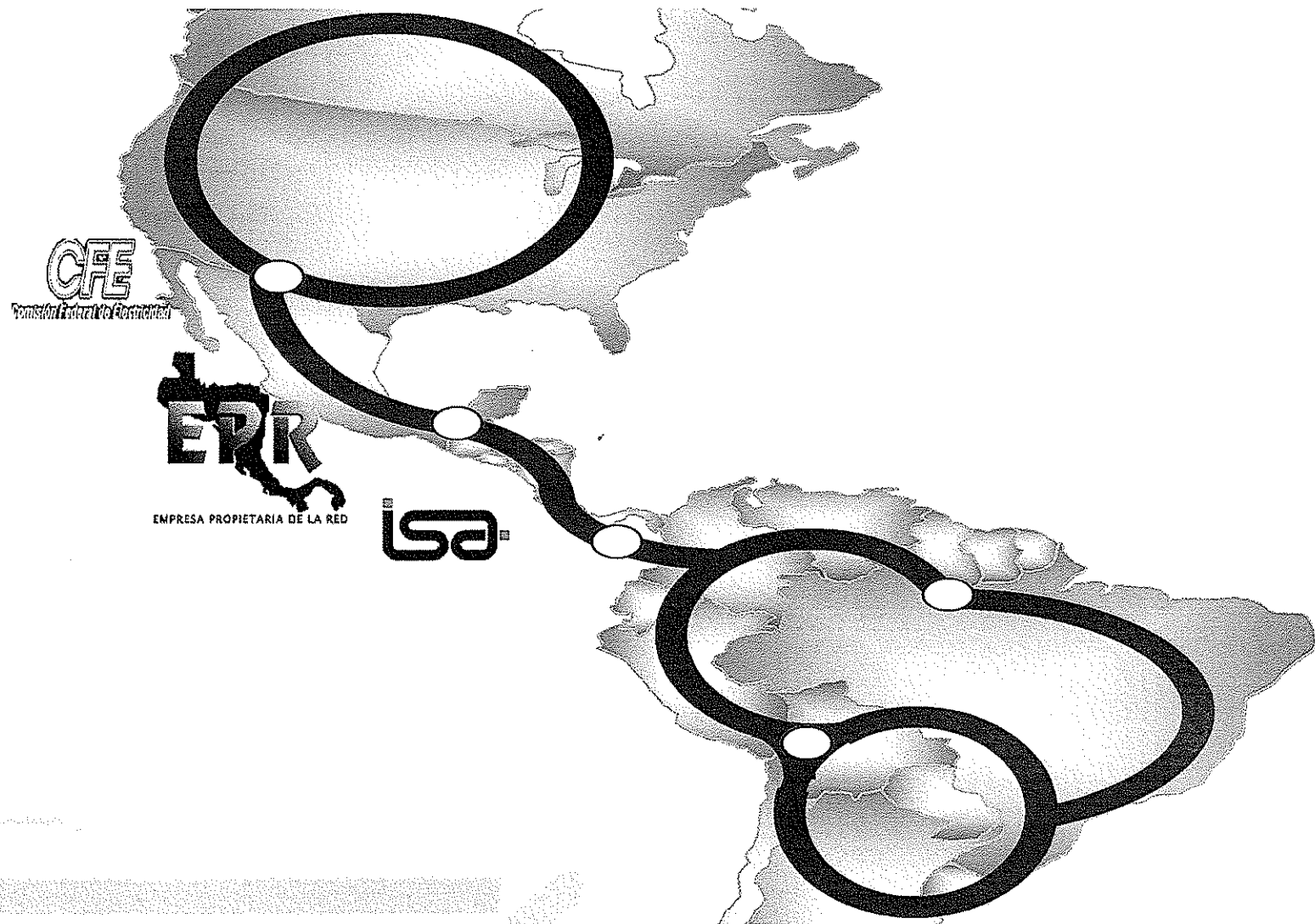
To construct an optic fiber network on the infrastructure of electric transmission of SIEPAC

Progress:

- Technical and Financial feasibility is finished
- Establishment of public-private company, REDCA
- Programmes on technical assistance



Vision of future Interconnection



CFE
Comisión Federal de Electricidad

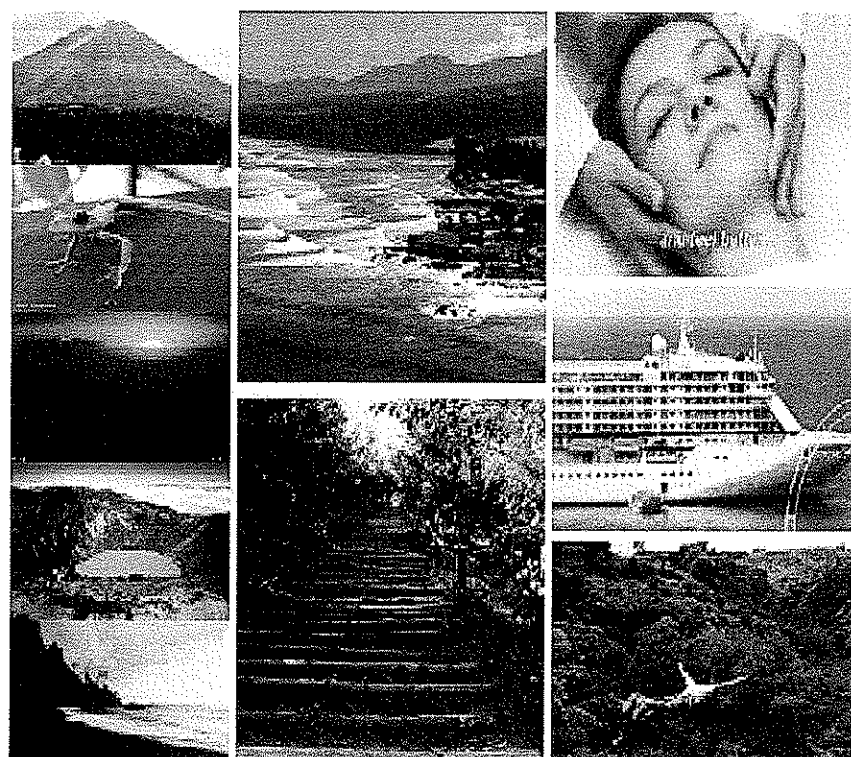
ENR
EMPRESA PROPIETARIA DE LA RED

LSA

Tourism: Diversity & complementary destinations

Mayan World • Ecotourism • Medical Tourism • Cruises

- Promotion tools
 - ✓ Web site www.sica.int/cct
 - ✓ Central American Fair Travel Market
 - ✓ Promotional Material
 - ✓ Market research
- Missions, travels, campaigns on the media, broadcasting
- Communications:
 - ✓ Government Network – Private Sector and Network RETCA
 - ✓ Strategy on the media
 - ✓ Regional Brand



Centroamérica
tan pequeña... tan grande...



Trade Relations with CARICOM

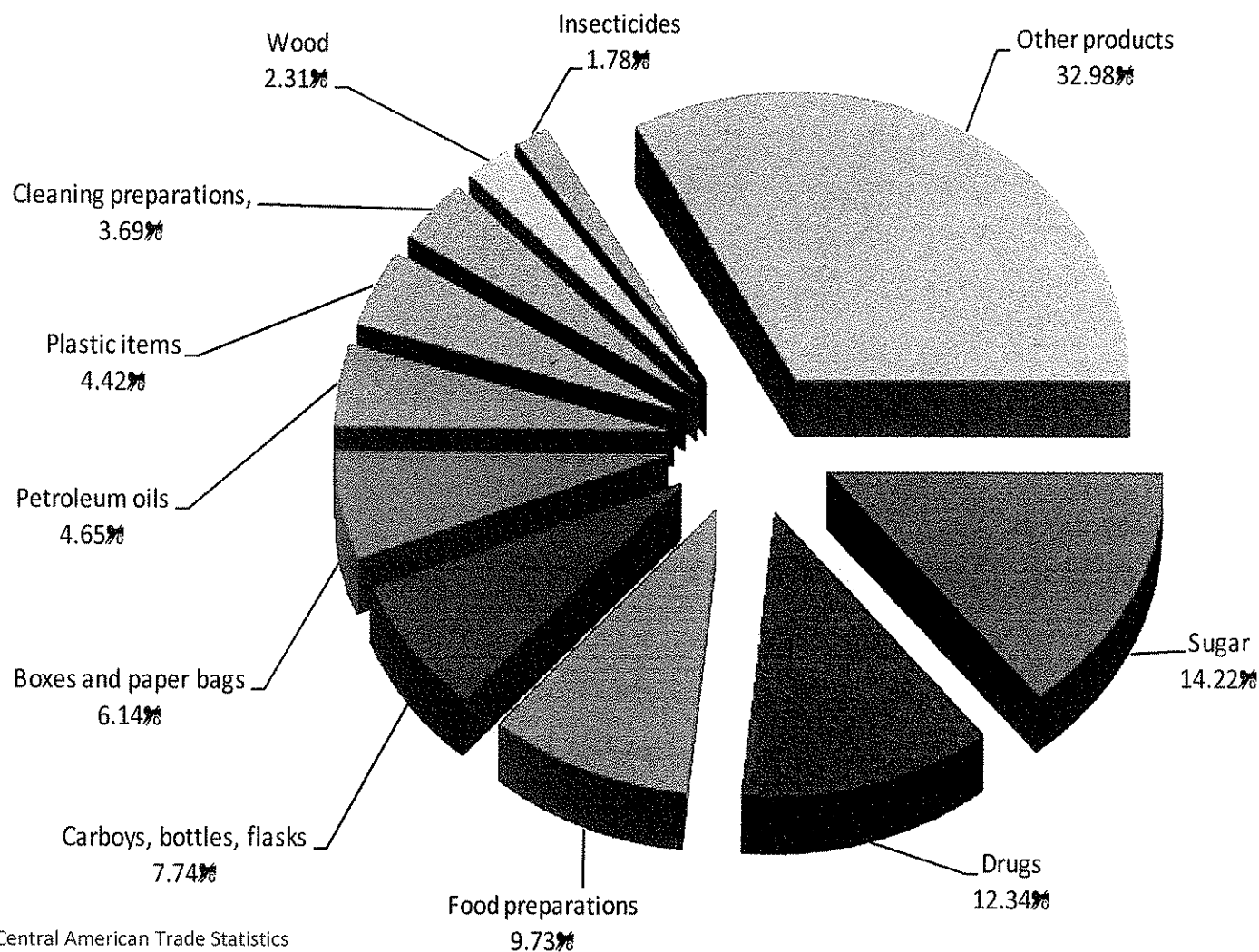
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Regional Economic Agenda

Current Trade Relations CA - CARICOM

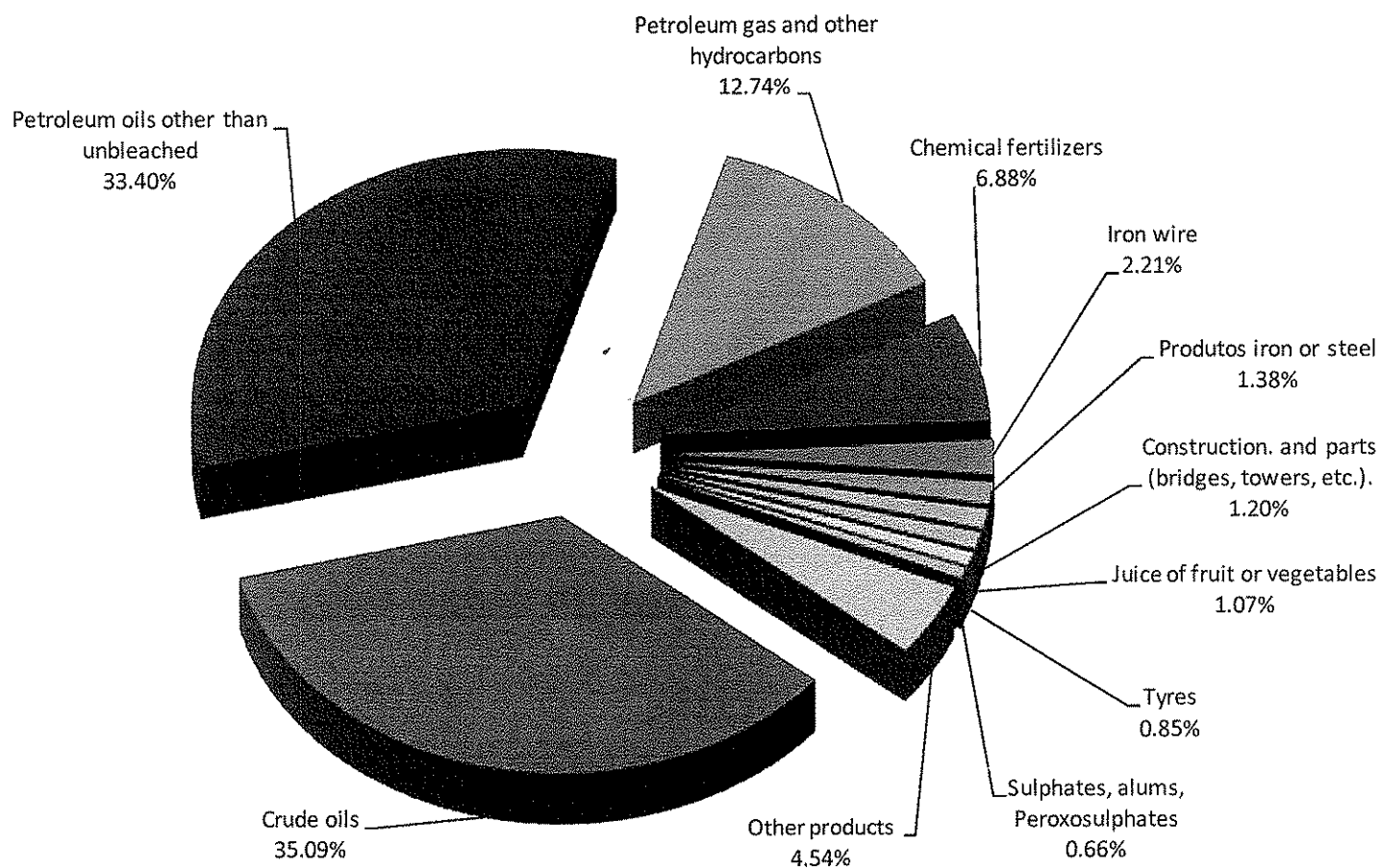
Exports from Central America to CARICOM, 2009



Regional Economic Agenda

Current Trade Relations CA - CARICOM

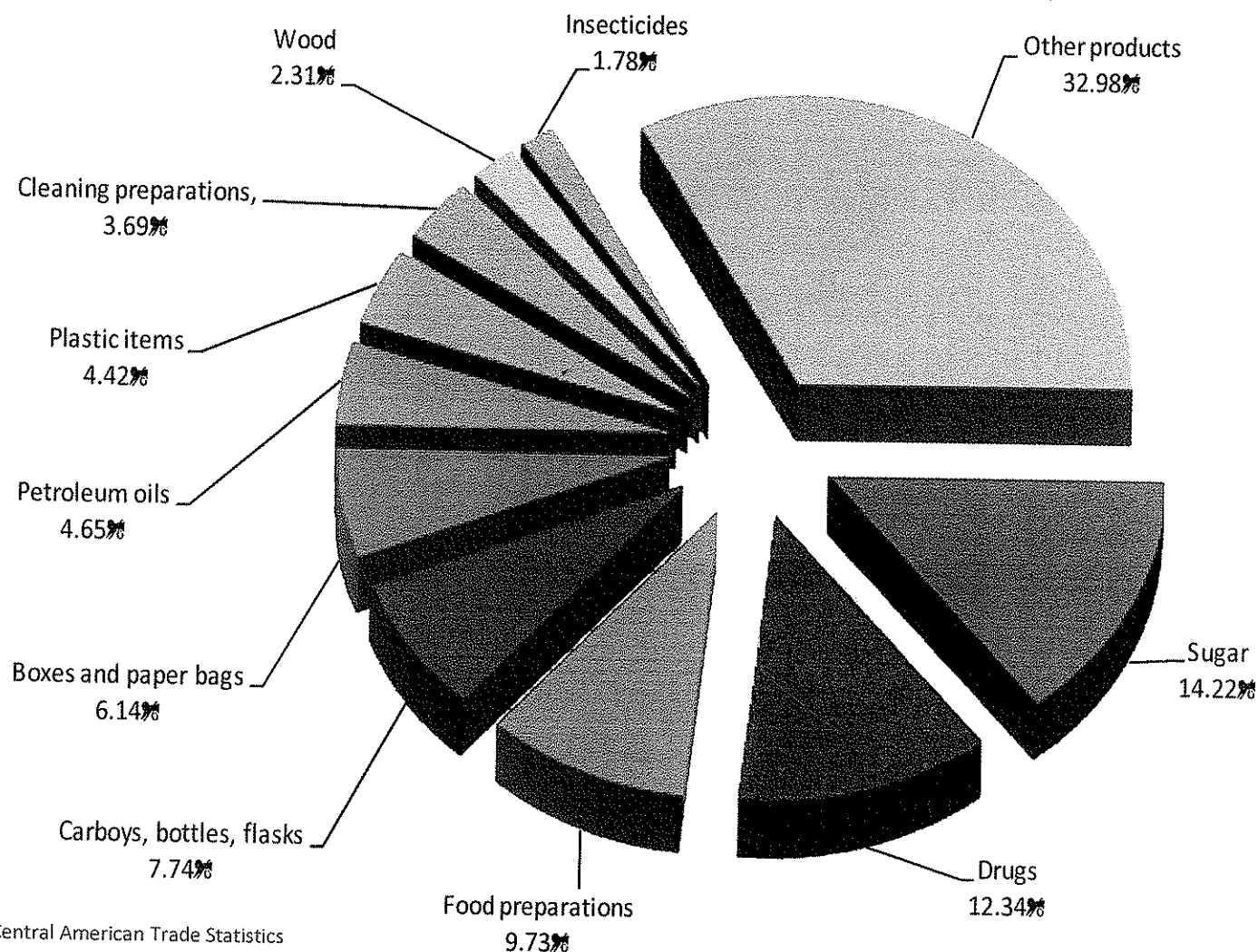
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Regional Economic Agenda

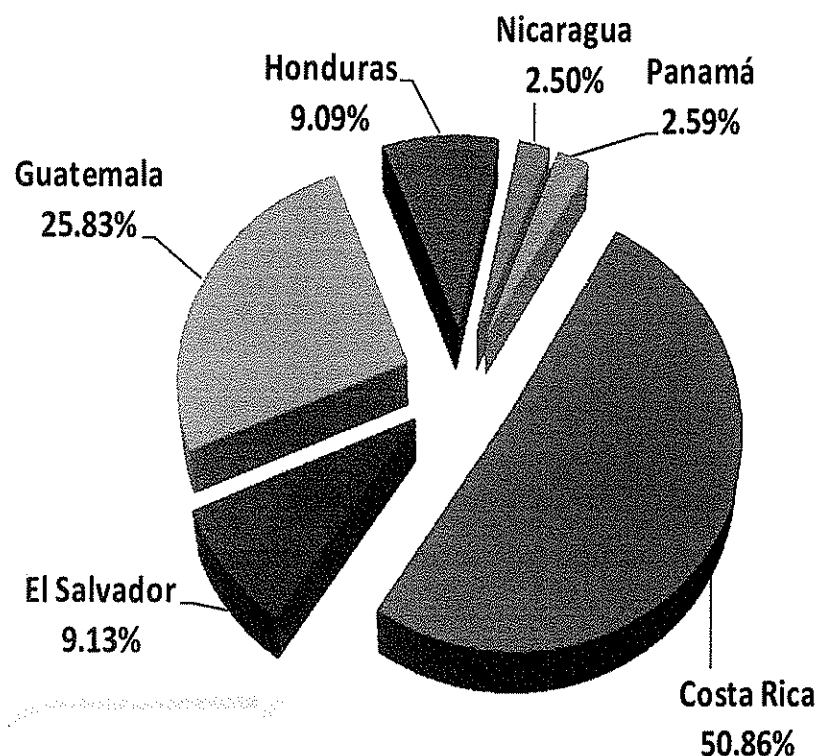
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Exports from Central America to CARICOM, 2009

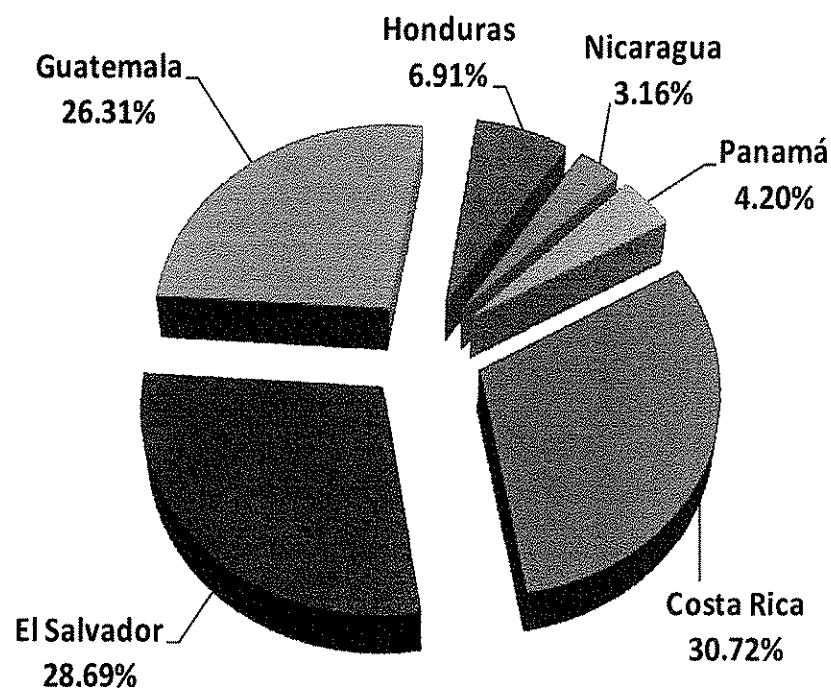


Structure of Trade with CARICOM per country (2009)

Exports



Imports



Investment and Business Opportunities

Potential sector for exports and foreign investments

